Office of the Secretary
Service Date
December 9, 2004

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF INTERMOUNTAIN GAS COMPANY'S 2005-2009 INTEGRATED RESOURCE PLAN (IRP).	)))))	**CASE NO. INT-G-04-1** **ORDER NO. 29656**

On April 30, 2004, Intermountain Gas Company (Company) submitted its Integrated Resource Plan (IRP) for the years of 2005-2009 to the Commission. On October 26, 2004, the Commission issued a Notice of Application and Modified Procedure, establishing a written comment deadline. Comments were filed by the Commission Staff on November 16, 2004. In this Order the Commission acknowledges that the IRP meets the requirements set forth by the Commission's Orders and accepts the Plan for filing.

BACKGROUND

The Company's filing was made pursuant to the Commission's directive in Order No. 25342. (PURPA § 303(b)(3), Energy Policy Act of 1992). Order No. 25342 initiated Integrated Resource Plan Requirements for local gas distribution companies (LDC) in accordance with amended Section 303 of PURPA. That Order lists the elements that the IRP should contain. The Commission twice modified the requirements for natural gas IRPs: Order No. 27024 allowed natural gas utilities to shorten the planning horizon to five years to match the Company's planning horizon and available market products; and Order No. 27098 removed the requirement that IRPs include a formal evaluation of the costs and benefits of potential Demand Side Management (DSM) programs, stating that a general explanation of whether there are cost effective DSM opportunities will be sufficient.

THE INTEGRATED RESOURCE PLAN

According to the Company's IRP Executive Summary, the IRP is meant to describe the currently anticipated conditions over the five-year planning horizon, the anticipated resource selections, and the process for making those resource decisions. IRP at 1. Intermountain Gas is the sole distributor of natural gas in southern Idaho, and during fiscal year 2003 it served about 242,000 customers in 74 communities. *Id.* Their system contains approximately 9,500 miles of transmission, distribution, and service lines, with over 350 miles of those lines being added in fiscal year 2003 to accommodate new customer additions and to maintain service for the Company's growing customer base. *Id.*

Intermountain Gas has two major markets: 1) the residential/commercial market; and 2) the industrial market. The Company's residential and commercial customers increased 5% during the first quarter of fiscal year 2004. *Id.* Forty-eight percent (48%) of the throughput on the Company's system during fiscal year 2003 was attributable to industrial sales and transportation. *Id.*

Customer growth forecast in the IRP was analyzed not only from a total company perspective but also by specific geographic regions within the Company's service territory. *Id.* at 2. Peak day sendout studies and load duration curves were developed under design weather conditions to determine the magnitude and timing of future deficiencies in firm peak day delivery capability from both a total company interstate mainline perspective, as well as within each specific geographic region. *Id.* Residential, commercial and industrial customer peak day sendout was matched against available resources to determine which combination of new resources would be needed to meet the Company's future peak day delivery requirements at the best possible cost. *Id.*

<u>Total Company</u> – Residential, commercial, and industrial peak day load growth on the Company's system is forecast over the five-year period to grow at an average of 4%. *Id.* When matched against existing resources, a peak day delivery deficit occurs starting in January 2007, and increases each year thereafter. *Id.* at 3. The projected deficits in firm deliverability will be eliminated through one or more means including: 1) long-term firm capacity release and/or segmentation; 2) city gate deliverable gas supply; 3) storage, together with related mainline rights; and 4) call back opportunities. *Id.* at 4

<u>Idaho Falls Lateral Region</u> – The Idaho Falls Lateral Region serves a number of cities between Pocatello in the south to St. Anthony in the north. *Id.* The residential, commercial, and industrial load served off of the Lateral represents approximately 16% of the total Company customers and 20% of the Company's total winter sendout during the winter of 2003-2004. *Id.* When forecasted peak day sendout is matched against the existing peak day distribution capacity, a peak day delivery deficit occurs in 2005 and increases each year thereafter. *Id.* at 5. The Company believes that small, short duration peak day distribution delivery deficits can be eliminated or at least mitigated by working with the regions industrial

customers to facilitate the use of fuel oil during extreme cold temperatures. *Id.* However, the projected delivery deficits are of such magnitude that "looping" of the existing system is warranted, adding the necessary firm delivery capability to that area. *Id.*

Sun Valley Lateral Region – The load served by this region represents approximately 4% of the total Company customers and 4% of the Company's total winter sendout during the winter of 2003-2004. *Id.* A peak day delivery deficit under the IRP's forecasted peak day sendout occurs during 2005 and increases each year thereafter. *Id.* at 5-6. Growth along the Sun Valley Lateral warrants an upgrade to the existing pipeline system. *Id.* at 6. The tourism industry driven industrial load in this region is limited in size and does not currently have the capability to switch to alternative fuels as a means of mitigating peak day sendout. *Id.*

Canyon County Region – The load served off of the Canyon County Lateral represented approximately 14% of the total Company customers and 17% of the Company's total winter sendout during the winter of 2003-2004. *Id.* Forecasted peak day sendout results in a peak day delivery deficit occurring during 2006 and increasing thereafter. *Id.* at 6-7. The industrial customer base served by the Canyon County Lateral does not currently have the capability to switch to alternative fuels as a means of mitigating peak day sendout and the Company is currently exploring optional means of enhancing the distribution capability on this Lateral. *Id.*

STAFF COMMENTS

In comments filed on November 16, 2004, Staff recommends that Intermountain's 2004 IRP satisfies the technical requirements of Commission Order No. 25342 as modified by Order Nos. 27024 and 27098, and recommends acceptance of the IRP for filing. Staff further stated that its recommendation should not be interpreted as approval of the plan, or as a judgment of the prudence of any transactions undertaken as part of the plan.

Staff reviewed the Company's forecasted growth projections and, although stating that that the conversion rate for customers converting existing structures to gas space or water heating seemed somewhat optimistic, found the projections to be within a reasonable range. Staff Comments at 3. Staff stated that the Company has made significant improvements in its demand side management programs. *Id.* at 4. The Company promotes the efficient use of natural gas through mass media advertisement, customer communication, marketing information and the Company's website. *Id.* Additionally the Company provides two ongoing equipment financing programs and contributes customer funds to the Gas Technology Institute. *Id.* The Company continues to improve its Supervisory Control and Data Acquisition system (SCADA), and continues to participate in the Rebuild Idaho energy efficiency campaign. *Id.* The Company further proposes two new programs to promote high-efficiency gas furnaces. *Id.*

With regard to the Company's analysis of gas supply options, Staff points out that, pursuant to Case No. INT-G-03-1, the Company must file an enhanced Risk Management Policy and Procedure for gas purchase strategies by December 20, 2004. *Id.* at 5. Staff looks forward to review of that filing and a more formal discussion of the Company's Risk Management Program in subsequent integrated resource plans. *Id.* Staff stated that the Company satisfied the requirement of providing a comparative evaluation of gas purchasing options. *Id.* The Company discusses the many options available for supply, transportation, and storage along with the general decision criteria necessary to meet the supply needs of its customers. *Id.* The Company provides quantitative resource utilization analysis through its resource optimization model. *Id.* The Company's model includes many alternative resources but, because of existing contract constraints correctly built into the model, there are very few realistic opportunities for change in the planning horizon of five years. While Staff believes the resource model can properly evaluate the presented resources there is room for improvement by including additional market alternatives. *Id.*

Staff stated the Company satisfied the requirement of providing a short-term plan for implementing the IRP, and filed an extensive comparative analysis to its previous IRP. *Id.* at 6. Staff stated the Company met the public participation requirement by holding two public workshops during the development of the IRP: one in Boise; and the other in Pocatello. *Id.*

DISCUSSION

The Commission has jurisdiction over Intermountain Gas Company, a natural gas utility, and the issues raised in Case No. INT-G-04-1 pursuant to the jurisdiction granted under Title 61 of the Idaho Code and the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq*.

Commission Order No. 25342 initiated Integrated Resource Plan Requirements for local gas distribution companies (LDC) in accordance with amended Section 303 of PURPA. That Order lists the elements that the IRP should contain. The Commission twice modified the requirements for natural gas IRPs: Order No. 27024 allowed natural gas utilities to shorten the planning horizon to five years to match the Company's planning horizon and available market products; and Order No. 27098 removed the requirement that IRPs include a formal evaluation of the costs and benefits of potential Demand Side Management (DSM) programs, stating that a general explanation of whether there are cost effective DSM opportunities will be sufficient.

Based upon its review of the Company's filings in this case, as well as the review and recommendations of the Staff, the Commission finds that Intermountain Gas Company's 2004 Natural Gas IRP satisfies the requirements set forth by Commission Orders. This acknowledgement and acceptance of the Plan should not be interpreted as approval of the plan, or as a judgment of the prudence of any transactions undertaken as part of the plan.

ORDER

IT IS HEREBY ORDERED that, in consideration of the foregoing and as more particularly described above, the Commission acknowledges that Intermountain Gas Company's 2004 Natural Gas IRP satisfies the requirements set forth by the Commission in Order No. 24342, as modified by Order Nos. 27024 and 27098, and is therefore accepted for filing.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* §§ 61-626 and 62-619.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 9th day of December 2004.

PAUL KJELLANDER, PRESIDENT

Out of the Office on this Date
MARSHA H. SMITH, COMMISSIONER

DENNIS S. HANSEN, COMMISSIONER

ATTEST:

Jean D. Jewell
Commission Secretary

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